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August 19, 2008

VIA ELECTRONIC FILING

Mr. Charles Terreni
Chief Clerk of the Commission
Public Service Commission of South Carolina
Synergy Business Park, Saluda Building
101 Executive Center Drive
Columbia, SC 29210

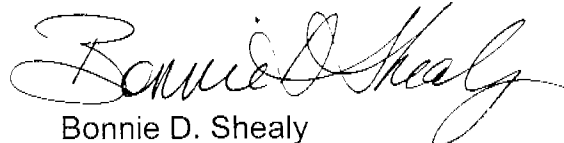
**Re: Duke Energy Carolinas – Annual Review of Base Rates for Fuel
Costs
Docket No. 2008-3-E**

Dear Mr. Terreni:

Enclosed for filing please find the Joint Motion for the Scheduling of a Settlement Hearing to Approve the attached Settlement Agreement between Duke Energy Carolinas, LLC, the South Carolina Office of Regulatory Staff and the South Carolina Energy Users Committee. In addition, we are filing the supplemental testimony of Duke Energy Carolinas Witness Jane L. McManeus in support of the settlement. It is our understanding that ORS will file Witness Michael Seaman-Huynh's testimony in support of the settlement separately. By copy of this letter we are serving the interested parties. If you have any questions, please have someone on your staff contact me.

Very truly yours,

ROBINSON, MCFADDEN & MOORE, P.C.



Bonnie D. Shealy

BDS/tch
Enclosures

cc/enc: Catherine E. Heigel, Assistant General Counsel (via email and US Mail)
Jeffrey M. Nelson, Esquire (via email and US Mail)
Lessie Hammonds, Esquire (via email and US Mail)
Scott A. Elliott, Esquire (via email and US Mail)

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

In Re:

COVER SHEET

Annual Review of Base Rates
For Fuel Costs for
Duke Energy Carolinas, LLC

DOCKET
NUMBER: 2008-3-E

(Please type or print)

Submitted by: Bonnie D. ShealySC Bar Number: 11125

Address: Robinson, McFadden & Moore, P.C.
PO Box 944
Columbia, SC 29202

Telephone: (803) 779-8900Fax: (803) 252-0724

Other: _____

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input checked="" type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigator	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2008-3-E**

In Re:

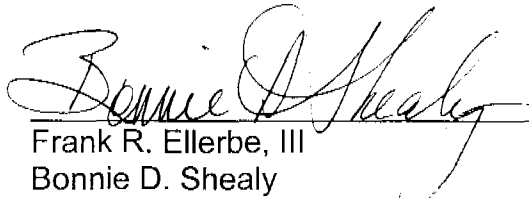
Annual Review of Base Rates
for Fuel Costs for
Duke Energy Carolinas, LLC

**JOINT MOTION FOR THE
SCHEDULING OF A SETTLEMENT
HEARING TO APPROVE
SETTLEMENT AGREEMENT**

Pursuant to the Public Service Commission ("Commission") Settlement Policies and Procedures, Duke Energy Carolinas, LLC ("Duke Energy Carolinas"), the South Carolina Office of Regulatory Staff ("ORS") and the South Carolina Energy Users Commission ("SCEUC") (collectively referred to as the "Parties" or sometimes individually as a "Party") move the commission to schedule a Settlement Hearing to consider and approve a comprehensive Settlement Agreement entered into by and between the Parties being filed this same date. The Settlement Agreement is attached to this motion. The Parties are filing testimony in support of the settlement concurrently with the filing of this motion. All witnesses will be present at the Settlement Hearing to support the settlement. The parties propose that the originally scheduled hearing date, August 26, 2008, be used as the date for the Settlement Hearing.

The Settlement Agreement resolves all issues involved in this proceeding and establishes the fuel factors to be charged by Duke Energy Carolinas for the first billing cycle in October 2008 through the last billing cycle in September 2009.

WHEREFORE, the Parties move the Commission to schedule a settlement hearing and approve the attached Settlement Agreement.

A handwritten signature in cursive script, reading "Bonnie D. Shealy", is written over a horizontal line.

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and


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Attorneys for Duke Energy Carolinas, LLC



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Attorney for South Carolina Energy Users Committee



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Email: lhammon@regstaff.sc.gov

Attorneys for SC Office of Regulatory Staff

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-3-E
August 19, 2008

IN RE:

Annual Review of Base Rates for Fuel Costs)	
for Duke Energy Carolinas, LLC)	SETTLEMENT AGREEMENT
)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee ("SCEUC"), and Duke Energy Carolinas, LLC ("Duke Energy Carolinas") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina ("Commission") pursuant to the procedure in S.C. Code Ann. §58-27-865 (Supp. 2007), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth below:

1. As a compromise to positions advanced by Duke Energy Carolinas, ORS, and SCEUC, all Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

2. The Parties agree to stipulate into the record before the Commission the pre-filed testimony and exhibits of ORS witnesses Michael L. Seaman-Huynh and Robert A. Lawyer, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record before the Commission the redacted and unredacted pre-filed direct testimony and exhibits of Duke Energy Carolinas' Witness Ronald A. Jones, and the pre-filed direct testimony and exhibits of Witnesses M. Elliott Batson, John J. Roedel, Thomas C. Gier and Jane L. McMancus, without objection or cross-examination by the Parties. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits, the supplemental testimony of Duke Energy Carolinas Witness Jane L. McMancus and ORS witness Michael Seaman-Huynh supporting the Parties' settlement, and this Settlement Agreement. The Parties agree to present all witnesses at the scheduled hearing in this matter.

3. ORS's review of Duke Energy Carolinas' operation of its generating facilities resulted in the conclusion that Duke Energy Carolinas has made reasonable efforts to maximize unit availability and minimize fuel costs. Additionally, ORS has determined that Duke Energy Carolinas took appropriate corrective action with respect to any outages that occurred during the review period.

4. Duke Energy Carolinas will apply \$60 million of amounts over-collected through time from South Carolina retail customers for Catawba purchased capacity levelization (PCL) as partial collection of the Company's South Carolina jurisdictional un-recovered fuel balance. No return will be calculated on the amount applied to the recovery of unbilled fuel. Duke Energy Carolinas estimates the PCL balance will be drawn down to zero prior to December 31, 2009. Consequently, Duke Energy Carolinas estimates that by December 31, 2009, an additional \$8 million will be required from the Demand Side Management ("DSM") balance owed to South Carolina retail customers. However, if in

preparing its next proposed fuel rate in 2009 the Company estimates that at December 31, 2009 an over-recovered PCL balance will exist, Duke Energy Carolinas agrees to consider the estimated balance in its 2009 proposed fuel rate. The application of the PCL and DSM over-collections to reduce the fuel rate is further described in the supplemental testimony and exhibits of Company Witness McMancus.

5. ORS analyzed the cumulative under-recovery of the Basic Fuel Costs that Duke Energy Carolinas had incurred for the period July 2007 through May 2008 totaling (\$11,889,851). ORS added the projected under-recovery for the months of June through September 2008 to arrive at a cumulative under-recovery balance of (\$63,367,797) as of September 2008. Duke Energy Carolinas's cumulative under-recovery, per its testimony in this docket (Revised McMancus Exhibit 5), as of May 2008 totals (\$11,888,000), and as of September 2008, the cumulative under-recovery totals (\$63,365,000). The difference between Duke Energy Carolinas's and ORS' cumulative under-recovery as of actual May 2008 totaled (\$1,851). The difference between Duke's and ORS' cumulative under-recovery as of September 2008 totals (\$2,797). After applying the \$60,000,000 agreed upon by the Parties in Paragraph 4 herein, to offset the fuel increase, the parties agree to a resulting cumulative under-recovery total of (\$3,367,797) as of September 2008.

6. ORS analyzed the cumulative under-recovery of the environmental costs that Duke Energy Carolinas had incurred for the period July 2007 through May 2008 totaling (\$335,945). ORS added the projected over-recovery for the months of June through September 2008 to arrive at a cumulative over-recovery balance of \$3,497,356 as of September 2008. Duke Energy Carolinas's pre-filed testimony (McMancus Exhibit 7) in this docket lists the cumulative environmental cost over-recovery total through September 2008 as \$3,497,000. The difference between Duke Energy Carolinas's and ORS's cumulative over-recovery balance as of September 2008 totaled \$356.

7. The parties agree to accept all accounting adjustments as put forth in ORS witness Lawyer's pre-filed direct testimony which provides that as of May 2008, based on a Base Fuel Cost

component of (\$11,889,851) and an Environmental Cost component of (\$335,945), the combined cumulative under-recovery balance totals (\$12,225,796). As of September 2008, as a result of the \$60 million provided for in Paragraph 4 herein, based on a Base Fuel Cost component of (\$3,367,797) and an Environmental Cost component of \$3,497,356, the parties agree to a resultant cumulative over-recovery balance totals \$129,559.

8. The Parties agree that the fuel factors contained in the pre-filed direct testimony and exhibits of Duke Energy Carolinas' Witness Jane L. McManeus, as adjusted by the supplemental testimony and exhibits of Ms. McManeus, represent the appropriate fuel costs, environmental costs, and combined projected fuel factors for Duke Energy Carolinas to charge for the period beginning with the first billing cycle in October 2008 through the last billing cycle of September 2009 by customer class as set forth in the table below:

Class of Service	SC Fuel Cost from Supplemental Exhibit 1 (¢/kWh)	SC Environmental Costs (Over)/Under Recovery from Exhibit 7 (¢/kWh)	SC Environmental Costs from Exhibit 8 (¢/kWh)	Combined Projected Fuel Factor (¢/kWh)
Residential	2.2317	-0.0217	0.0439	2.2539
General/Lighting	2.2317	-0.0168	0.0352	2.2501
Industrial	2.2317	-0.0114	0.0212	2.2415

9. The Parties agree that the fuel factors as set forth in Paragraph 8 above are consistent with S.C. Code Ann. §58-27-865.

10. The Parties agree that in an effort to keep the Parties and Duke Energy Carolinas' customers informed of the over/under recovery balances related to fuel costs and of Duke Energy Carolinas' commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, Duke Energy Carolinas will provide to SCEUC, ORS, and where applicable, its customers the following information:

- (a) copies of the monthly fuel recovery reports currently filed with the Commission and ORS;
and
- (b) a quarterly forecast beginning November 30, 2008 of the expected fuel factor to be set at its next annual fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. Duke Energy Carolinas will use commercially reasonable efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

11. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues currently pending in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

12. The Parties agree that any and all challenges to Duke Energy Carolinas' historical fuel costs and revenues for the period ending May 2008 are not subject to further review; however, fuel costs and revenues for periods beginning June 2008 and thereafter shall be open issues in future proceedings and will continue to be tried-up against actual costs in such proceedings held under S.C. Code Ann. §58-27-865 (Supp. 2007).

13. This written Settlement Agreement contains the complete agreement of the Parties. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission declines to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without

penalty, within 3 days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

14. This agreement shall be effective upon execution of the Parties and shall be interpreted according to South Carolina law.

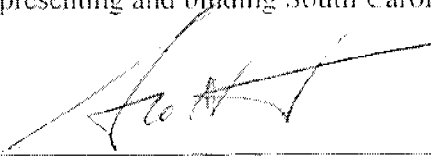
15. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. §58-27-865 (Supp. 2007) in any future proceeding. This Settlement Agreement in no way precludes any party herein from advocating an alternative methodology under S.C. Code Ann. §58-27-865 (Supp. 2007) in any future proceeding.

16. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

17. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

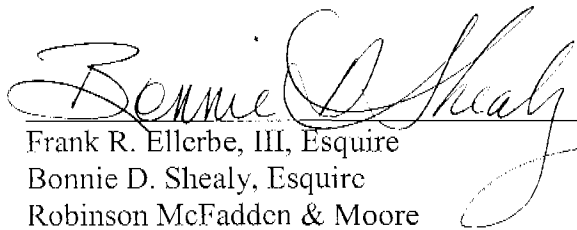
(Signature Pages Follow)

Representing and binding South Carolina Energy Users Committee:

A handwritten signature in black ink, appearing to read "Scott Elliott", is written over a horizontal line.

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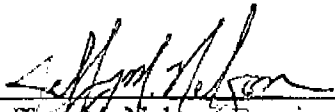
Representing and binding Duke Energy Carolinas, LLC:



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**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2008-3-E**

In the Matter of:)

Annual Review of Base Rates)
for Fuel Costs for)
Duke Energy Carolinas, LLC)
_____)

CERTIFICATE OF SERVICE

This is to certify that I Bonnie D. Shealy with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the Joint Motion for the Scheduling of a Settlement Hearing and Supplemental Testimony of Jane L. McManeus on behalf of Duke Energy Carolinas, LLC in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

Scott A. Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205

C. Lessie Hammonds, Esquire
Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, SC 29211

Dated at Columbia, South Carolina this 19th day of August, 2008.



Leslie Allen